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C O N F I D E N T I A L SECTION 01 OF 02 PERTH 000030

SIPDIS

DEPARTMENT FOR EAP/ANP

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TAGS: [PGOV](#) [AS](#)

SUBJECT: WESTERN AUSTRALIA POLITICS: THE RUDD-BARNETT DUET

REF: (A) 08 PERTH 53, (B) CANBERRA 357, (C) 08 PERTH 16, (D) 08 PERTH 50, (E) 08 PERTH 42
PERTH 00000030 001.2 OF 002

CLASSIFIED BY: Kenneth Chern, Consul General, AmConGen Perth,
State.

REASON: 1.4 (b), (d)

¶1. (C) Summary: Western Australia (WA) looms large on the federal radar as talk escalates about the state's importance in the next federal election. With Labor currently holding only four of 15 WA federal seats, analysts view WA as a potential pivot for federal Labor to retain power by offering a chance to increase that number. Labor operatives see gains in the west as a hedge for Prime Minister Rudd against likely losses in eastern states. The Prime Minister has engaged WA state Liberal Premier Colin Barnett in an asymmetric but pragmatic duet from which both men can benefit, but which threatens to drive a wedge between the WA and federal Liberals. The global financial crisis is testing Barnett's ability to deliver on his election promises, but as he engages shrewdly with Canberra, business and governmental observers credit him with a steady hand, eight months after leading to power a state party most observers regarded as unready to govern (ref A). End Summary.

THE PRAGMATIC PREMIER

¶2. (C) As the sole Liberal state premier in a matrix of Australian state and federal Labor regimes, Colin Barnett has developed good working relations with Prime Minister Rudd. Barnett runs his own agenda keeping WA's interests at the fore, realizing that the federal Liberals are unlikely to gain office soon. His bid for federal funding from the "Building Australia" infrastructure initiative for the Ord River agricultural development scheme in WA's far north Kimberley region - the top of his "wish list" - has received a fair hearing. Visiting the area last December, Rudd enthusiastically described the Ord River area as the "new breadbasket for Australia." In April, WA leaders welcomed the announcement of an expanded national broadband program (ref B). Treasurer Troy Buswell told the Consul General that he was pleased with this initiative, as it would not only spare the state from laying out funds for broadband, but also enhance WA's bid to land the Square Kilometer Array, a vast radio telescope project on which a 19-nation consortium will make a siting decision in 2012 (ref C). Along similar lines, Barnett publicly welcomed Canberra's A\$21 billion (US\$15 billion) stimulus, countering the attacks of federal Opposition Leader Malcolm Turnbull on Prime Minister Rudd's fiscal plan. Barnett's bipartisan approach works well with Canberra and his good relations assure that financial benefits and federal assistance for major infrastructure funding will flow through, despite the tough budgetary decisions looming ahead.

THE PREMIER AND THE PRIME MINISTER

¶3. (C) An energy industry representative with close political connections remarked to the Consul General that Premier Barnett and Prime Minister Rudd, "quality people" from opposite sides, were "two bulls with an affinity and complementary DNA." Another well-connected business leader told the CG that Rudd is getting on well with Barnett in order to annoy the federal Liberals, split them from Barnett, and bid for WA seats in the federal election. It is an asymmetric relationship, but the public perception of good WA state-federal ties also boosts Barnett in the eyes of his electorate, although this in no way helps Opposition Leader Turnbull. This businessman noted that WA would be a very important battleground in 2010. With only four of 15 WA federal seats in Labor hands, there was a real opportunity to win additional seats. This was key, since Labor cannot control the global financial crisis and needs to win every seat it can. Federal Labor figures, paying close attention to WA, have asked this businessman whether the Liberal-National alliance that runs WA will hold, and where the stress points are. The businessman says the answer lies in the affordability, at a time of budget cuts, of the Royalties for Regions scheme that the National Party imposed on Barnett as a condition for allying with the WA Liberals to provide a parliamentary majority (ref D). If the Liberals are careless, he added, Rudd will be able to drive a wedge between their WA state and federal parties. If the Liberals had a second premier, the businessman concluded, it would be harder for the Prime Minister to play this game; the two Liberals might be able to "square off" against Rudd, and Labor premiers might also get annoyed with his tactics.

THE PIVOT OF THE FEDERAL ELECTION?

¶4. (C) Former Deputy Prime Minister and Opposition Leader Kim Beazley told the Consul General that federal Labor, keen to pick

PERTH 00000030 002 OF 002

up additional WA seats in 2010, are targeting the closely-contested Swan and Cowan electorates in particular. WA performed badly in 2007, giving only a 46.7% vote to Labor, against their national figure of 52.7%. Beazley noted that there is "low-hanging fruit" ripe for the picking and that WA is coming into sharper focus amid increasing fears that seat losses might be inevitable in New South Wales. Beazley's comments were substantiated as the Rudd government headed west for a rare community Cabinet meeting in the battleground Cowan electorate on April 22, bringing along the entire federal Cabinet. Addressing the local business community on the same trip, Rudd reaffirmed his intention to visit the state more regularly and to stay mindful of WA's importance to the national economic well-being. In an April 14 editorial, "The Australian," the national daily broadsheet, opined that the west was "vital to Rudd's chances" for re-election, and that gains there could be achieved to offset possible losses in New South Wales. Beazley told us that after WA Labor's disastrous state campaign last year, federal Labor has already taken control of the coming federal campaign in the state: it will be run by Foreign Minister Stephen Smith and Immigration Minister Chris Evans, along with MP Gary Gray.

PLACATING PERTH AND THE REGIONS

¶5. (C) Thrust into state party leadership just weeks before the 2008 WA election, Premier Barnett is gaining a reputation as a steady hand. However, confronting the economic downturn, his government faces dilemmas in maintaining its creditworthiness while delivering on its commitments, including Royalties for Regions - the provision of 25% of resources royalties to areas outside Perth. Treasurer Buswell's early announcement of 3% cuts across all government departments to avoid a budget blowout has met fierce bureaucratic resistance, particularly in the health and education sectors, and major city projects already have been scrapped in favor of the Ord River project in the Kimberley, a natural gas hub in the same region, and the Oakajee iron ore port project at Geraldton in the Murchison region (ref E). Over time, one business leader notes, there is a risk: the

evident goodwill in metropolitan Perth toward the regions will sour, and the WA Labor Opposition will contend that money is being wasted to build hospitals in sparsely populated places while people in the city are denied adequate medical facilities.

This in turn would strain the alliance between Barnett and WA Nationals leader Brendon Grylls, whose advocacy of Royalties for Regions played well in rural WA and gave him the balance of power that he tipped to Barnett in WA's parliament. It is notable that the May 12 federal budget added further handouts to the state coffers with the promise of additional infrastructure expenditure, including A\$339 million (US\$238 million) for the Premier's pet project at Oakajee and A\$236 million (US\$165 million) for Perth inner-city development projects. Little wonder that Barnett and his Treasurer, Buswell, who writes the checks to pay the nurses, teachers, and police, ignore the criticisms of the Federal Opposition leadership and gladly accept succor from Canberra. As Buswell recently confided to the CG, "You have to be nice to the federal government, they've got the money!"

COMMENT

¶6. (C) WA, Australia's most conservative state, defied the national trend by moving toward the Coalition in the 2007 election. Up to five Liberal seats are therefore competitive enough to attract serious Labor attention, and a four-day visit by the Prime Minister. As columnist Peter Van Onselen wrote in "The Weekend Australian" May 3, "Labor may have its problems in states such as NSW, weighed down by maladministration and scandals surrounding federal marginal seats. But the west is a different story. It is an opportunity, and Rudd knows it." For his part, Premier Barnett has no choice but to acknowledge Rudd's largesse, whether through stimulus or infrastructure projects in far-flung areas of the state. He recognizes that what is good for Rudd is not necessarily bad for him, as both seek support for the benefits they bring to WA. By the same token, Barnett has made some limited criticisms of the federal Labor government for spending funds too quickly. The challenge for Barnett is to maintain his balance, his credibility, and his base of support even as the Prime Minister moves toward a play for WA votes, and continued national leadership, at the expense of Barnett's federal Liberal counterparts. End Comment.

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